

CFO Forum Lehigh Valley March 2023 Minutes

Face to face and virtual meeting to discuss the state of banking, the changes in R&D accounting and the ERTC and R&D tax credits and the process success in back office services.

We have three guest speakers-Matt Dougherty of Community Bank based in NY with Pa HQ in Wilkes Barre Scranton. Joe Madison-local commercial banker joined Matt.

Key takeaways included:

70th largest bank in US and basically largest of the “Community Bank” model. Focused on our size company with full branch mentality. While biggies are closing branches they are growing physically and in the services offered. Full suite of support services-a real Wealth Division who wants 401k and Pension plans; a business insurance platform, a HR services platform that can advise or function as an outsourced HR function-complete with benefits platform. Matt is Commercial Officer for Pa and Joe Madison is local commercial banker.

Key update was the explanation of Silicon Valley Bank collapse and the failure of the bank to manage risk and the failure of regulators to do their job. General consensus was failure for “bailout of depositors” and a bad step by the Fed. Signature Bank failure was largely crypto driven and later struggles at Credit Suisse and potentially others this week were different issues.

Key takeaways related to these current events are: CFO needs to know the banker as much as the banker needs to know the client and the CFO. Usually the personality of the bank reflects the locale but that may not be the right fit. Relationships matter and both sides have to work at a great partnership relationship.

Finally, talk to them and try their offerings. Rarely does a client move cold turkey 100%. Need an equipment loan-try them. Need a second opinion-call Joe. And, they loan outside of their physical footprint which many do not.

Second speaker was Katie Keich-a success story of an entrepreneur who understands the back office and how to make it sing! From billing to collection with a customer orientation, process orientation and an ability to design, consult advise or outsource or hybrid solution as needed. This is a case where you have to have the slides in front of you and watch the zoom recording because I can’t explain her vision, her focus and her ability to lead from behind and share the success with her clients, her team and her partners. Full Advantage, and her other companies, will redefine the “dull and boring” credit and collection function and I think you give her call to get her thoughts on redefining your function or just outsourcing it to Full Advantage.

Mike D’Alessandro refreshed us with a visit and explained the brutal change in R&D accounting for tax return purposes. A 100 BILLION dollar per year impact. If you have R&D on your income statement, you have a surprise coming-retroactively for 2022-that will increase your tax bill. If you are R&D intensive, it is material AND your CPA hopefully has you prepared for this or your next tax payment will be a shocker-in 4 weeks.

Mike also covered the PA R&D credit because our size companies are really missing an opportunity. Mike’s team specializes in this credit (and a few others) and CPA firms bring him in to “do it right”. If you do product

development, continuous improvement, customer customized solutions you may qualify for a great tax credit AND Mike can help you with a retroactive analysis and adjusted returns. By the way, there are 38 states with these types of credits PLUS the federal tax credit.

We talked about pop up tax “experts” who work on a contingency basis, are not tax advisors and offer no audit defense or liability but promise the world in credits.

Mike stunned us with the penalty clauses and impact if you choose to get creative on the new R&D tax accounting changes or get aggressive on ERTC, R&D or other specialty credits. The IRS is hiring people to audit all of these so eyes wide open and get educated and get the right advisor.

Probably 75% of eligible companies in the US are NOT aware of the R&D credit (and probably 50% of firms that own real estate are not aware of Cost Segregation-another area of expertise for Mike’s firm).

Visit the slides and the zoom recording on the website to get the value of today’s session.

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CEP letter is on the website to download if needed.

Next sessions:

Wednesday April 19th 8 30 to 10 30 How to create and run a Board of Directors for a private firm

Wednesday May 17th 8 30 to 10 30 How to memorialize tribal knowledge and wisdom of SMEs.

Wednesday June 21st TBD. Let me know potential topics of interest. Potentially on bottlenecks and how to detect, analyze and determine solutions such as automation.

I’d like to schedule a happy hour/ social unwind sometime when it warms up. Maybe early June before summer starts. It’s a social group that is wound too tight! We need a stress relief session-the ultimate best practice idea.

Great session today, great speakers, great interaction and scary to announce that the average tenure of private company CFOs was just announced to be an all time low of 2.8 years! Another reason why we need to continuously learn best practices and share experiences with each other and our partners.